ORIGINAL

EX PARTE OR LATE FILED

301 S. Westfield Road
P.O. Box 5158
Madison, WI 53705-0158

Telephone: 608-664 4000
FAX: 608-664 4809

TDS TELECOM

RECEIVED & INSPECTED
JAN 6 - 2003
FCC - MAILROOM

January 2, 2003

Marlene H. Dortch
Secretary
Federal Communications Commission
445 12th Street, S.W.
Room TWB-204
Washington, D.C. 20054

Re: Notice of Ex Parte Communication
WCB Docket Nos. **02-33,** 98-147

Dear Ms. Dortch:

On January 2,2003, **the** attached letter was sent to William Maher, Chief of the Wireline Competition Bureau. Courtesy copies were also sent to those listed at the end of the letter.

If you have any questions concerning this matter, please contact me.

Sincerely

Mark Jenn

Manager - Federaf Affairs
TDS Telecom
525 Junction Road
Madison WI, 53717
608.664.4196

Enclosure

No. of Copies rec'd 0+2
List ABCDE

ORIGINAL

301 S Westfield Road
P O Box 5158
Madison WI 53705 0158

Telephone 608 664 4000
FAX 608 664 4809

TDS TELECOM

January 2,2003

William Maher
Chief, Wireline Competition Bureau
Federal Communications Commission
445 12th Street, S.W.
Washington, D.C. 20054

Re: *Ex Parte Letter*
WCB Docket Nos. 02-33.98-147

Dear Mr. Maher,

On December 3, a number of representatives from TDS Telecom met with you and your staff to discuss our company's positions on issues before the Commission. One topic about which there **was** a significant amount **of** discussion was TDS Telecom's concern that the removal of broadband capable facilities from Title II regulation could jeopardize the ability of small and mid-size carriers to use the NECA tariffing and cost pooling process to assist in the deployment of DSL in rural and high cost areas. A question arose as to the specific types of costs included in the NECA DSL tariff. This letter is in response to a request for more detailed information on that topic.

Attached is the "Description and Justification" for NECA's ADSL tariff (Transmittal No. 826, March 17, 1999).[1] Section 3 lists the specific cost components of the ADSL service including "central office multiplexing equipment (DSLAM), interoffice transport (Channel Mileage and Channel Terminations) and a port termination at the Connection Point (frame switch or router port)." Similar costs are also included in NECA's SDSL tariff (Transmittal No. 837, August 17, 1999).

Even though the costs included in NECA's xDSL tariffs are very limited in scope, they nonetheless play a critical role in detennining whether xDSL service can be deployed in many rural markets. DSLAM costs on a per customer basis remain prohibitively high in some areas because of a lack of customer density, lack of expected demand and equipment designed and priced for high density, urban markets. Additionally, lengthy interoffice transport distances can result in high transport costs. In many areas, carriers serving rural communities can deploy DSL in the face of these higher costs only because of the NECA DSL/special access pooling process.

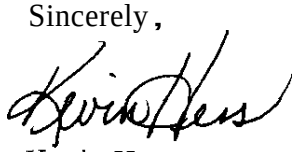
[1] **NECA's xDSL tariff** filings are consistent **with** the principles established in the GTE DSL Order - *In the Matter of GTE Telephone Operating Cos. CTOC Tariff No. 1, GTOC Transmittal No. 1148*, CC 98-79, FCC 98-292, released October 30, 1998.

ORIGINAL

It is important to note that the costs associated with upgrading loop facilities to make them DSL capable (for example by shortening loop lengths) are not included in the NECA xDSL tariffs. **As** small and mid-sized carriers upgrade their networks to improve the provision of voice services, an added benefit is that they are slowly making progress on shortening loop lengths. Part of the costs incurred in shortening loop lengths – such as when the iictwork is made more efficient and reliable for voice service by upgrading to digital serving areas – are within the costs that may qualify for high cost support. But neither the amounts allocated nor the capped loop support available will permit even this upgrade for all parts of rural telephone companies' serving areas. Moreover, the cost of upgrading all lines for DSL compatibility is enormous and, therefore, it is likely that a portion of rural customers will he unable to receive DSL service for the foreseeable future. Because of this, the Commission should he wary of removing broadband capable facilities from Title II regulation. This could eliminate the Commission's ability at some point in the future to designate access to advanced services as a component of universal service eligible for universal service funding. If broadband access becomes as widespread and necessary as access to telephone service is today, this could have the effect **of** creating a huge disparity between rural and urban broadband availability and limiting the potential for economic growth and development in rural America

TDS Telecom urges the Commission to take great care in crafting its decisions on the regulatory structure pertaining to broadband capable facilities to insure that current and future DSL deployment by carriers serving rural communities is not negatively impacted. If you or your staff wish to discuss any arpect of this issue further, please contact me at any time.

Sincerely,



Kevin Hess
Vice President - Federal Affairs
TDS Telecom
525 Junction Road
Madison, WI 53717
608-664-4160

Cc: Jeffrey Carlisle
Carol Mattey
Rich Lerner
Jane Jackson
Cathy Carpino

Attachment

ORIGINAL

NATIONAL EXCHANGE CARRIER ASSOCIATION, INC
REVISIONS TO TARIFF F.C.C. NO. 5
ADSL ACCESS SERVICE
TRANSMITTAL NO. 826
MARCH 17, 1999

DESCRIPTION AND JUSTIFICATION

1. INTRODUCTION

The National Exchange Carrier Association, Inc., proposes *to* introduce Asymmetric Digital Subscriber Line (ADSL) Access Service to its Tariff F.C.C. No. 5 in response to Member Company requests and customers' desire *to* have high speed connections to the Internet and corporate local area networks. This proposed offering substantially increases the bandwidth available *to* customers, and contributes to the efficient use and modernization of rural public networks.

2. BACKGROUND

The circuit switched network reaches its capacity at 56 kbps. From an Internet customer's perspective, this speed limitation leads not only to unacceptable delays in accessing information but also denies the ability to send and receive high quality voice and video. ADSL is a data service that meets customer needs for higher speed connections *to* Internet Service Providers (ISPs) and other telecommunications service providers. The proposed service has a 1.5 Mbps objective speed from the network to the end user. This is a thirty-fold increase from a dial-up connection. With most of the demand for this NECA tariff service located in rural areas of the United States, this offering has the potential *to* allow rural Americans to benefit from the same advanced telecommunications services technology previously available only in areas served by larger ILECs.

From the local exchange carrier's perspective, ADSL increases network efficiency and relieves circuit switched network congestion. First, it improves the efficiency of the local telephone company's network by allowing the simultaneous transmission of voice-dialed calls and high-speed data over ordinary telephone lines. Second, it reduces the need *to* provision additional lines since a single line can handle both data and dial-up requirements. Third, it allows data *to* be passed to the telecommunications service provider without using the circuit switched network, freeing up valuable network resources.

From the telecommunications service provider's perspective, ADSL provides greater economic efficiency and the ability to offer new services requiring higher bandwidth. First, it offers high-speed data connections to end users at lower costs than are currently available. Second, it aggregates end users' data traffic at telephone company wire centers, thus requiring fewer facilities between the telecommunications service provider and the telephone company. Third, it allows

telecommunications service providers *to* design new services that take advantage of the higher bandwidth available through ADSL, such as video and high-fidelity audio services.

3. DESCRIPTION

ADSL Access Service provides high-speed data access over ordinary telephone wires utilizing the unused portion of the frequency spectrum available on the copper facility. It allows the customer to access the Internet (or a corporate local area network) using a dedicated high-speed data connection, while simultaneously using the public switched network for voice calls. ADSL technology has distance limitations and requires loops free of bridge taps, repeaters, and load coils. Therefore, prior to installation, the Telephone Company will normally pre-qualify customer connections to determine if they are compatible with NECA's ADSL Access Service.

Customer data traffic is generated using a customer-provided modem and is transported *to* the ADSL Access Service Serving Wire Center. The modem type used by the customer must be compatible with the Telephone Company ADSL equipment installed in the central office. The customer may also need to install a customer-provided device known as a splitter on the customer side of the Network Interface Device (NID). The splitter is an optional device that would be purchased and installed by the customer *to* help reduce line interference such as interference from other devices in the home. The Telephone Company will notify the customer if a splitter is required.

The customer's local loop is connected to a Digital Subscriber Line Access Multiplexer (DSLAM) at the ADSL Access Service Serving Wire Center. The DSLAM separates the voice traffic from the data traffic at the Telephone Company's central office. The voice traffic is terminated on a voice switch where voice calls are processed in a normal fashion. The data traffic is transported *to* a network Connection Point where the ADSL Access Service may be connected *to* either NECA's interstate Frame Relay Access Service or Special Access Service without ever passing through the local Class 5 Switch (see figure 1 below).

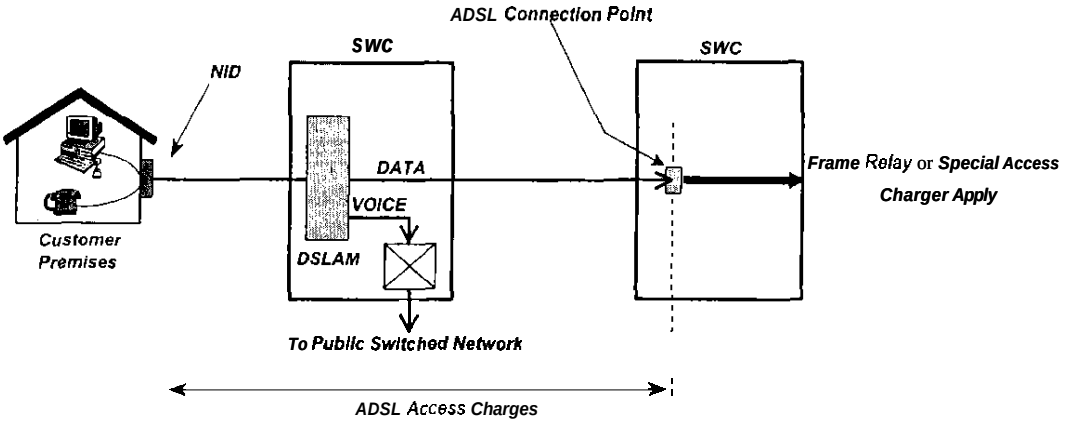


Figure 1

ADSL Access Service is provided between the end-user premises and the ADSL Connection Point. The cost components of ADSL Access Service include central office multiplexing equipment (DSLAM), interoffice transport (Channel Mileage and Channel Terminations) and a port termination at the Connection Point (frame switch port or router port).

ADSL Access Service supports a maximum downstream speed of 1.5 Mbps (from the Telephone Company network) and a maximum upstream speed of 256 Kbps (to the Telephone Company network). These data speeds are peak speeds and are not guaranteed by the Telephone Company. The availability of ADSL Access Service will be shown in NECA Tariff F.C.C. No. **4.**

A. Connections **of** other Tariff services to ADSL Access Service

ISPs and other telecommunications service providers connect to local exchange customers who have ADSL Access Service using Telephone Company provided Frame Relay Access Service or Special Access Service at an ADSL Access Service Connection Point. The charges to the ISP and other telecommunications service providers are dependent on the type of connection:

- If the connection is via Frame Relay Access Service, the existing tariff rates for Frame Relay Access Service will be charged. The only other ADSL Access Service charges would be those associated with the Asymmetric Digital Subscriber Line (ADSL) itself. Figure 2 displays a telecommunications service provider connecting to the ADSL Access Service via Frame Relay Service.

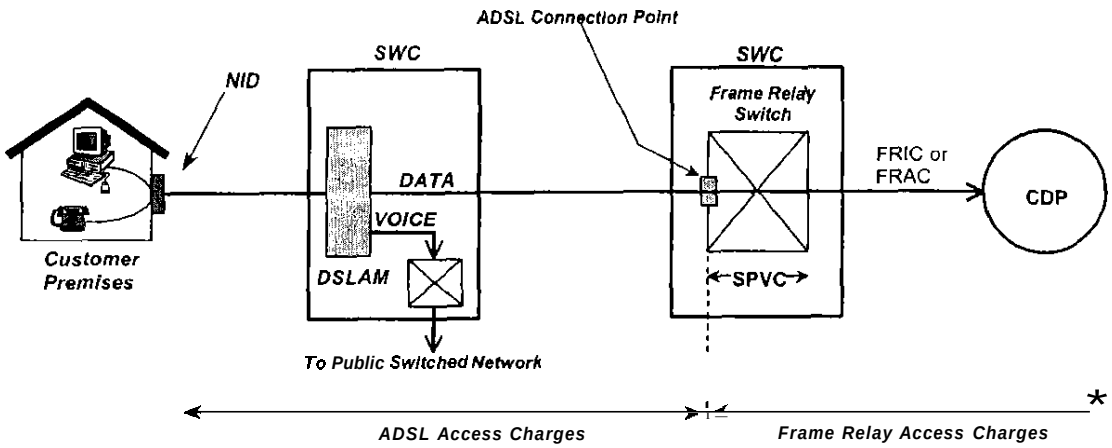


Figure 2

In the case of a Connection Point via Special Access Service, the existing tariff rate for Special Access would apply. In addition, an ADSL Access Service Connection Charge would apply to recover the costs of aggregating the ADSL Access Service lines, including transport between wire centers and additional circuit equipment. Figure 3 displays a telecommunications service provider connecting to the ADSL service via Special Access Service.

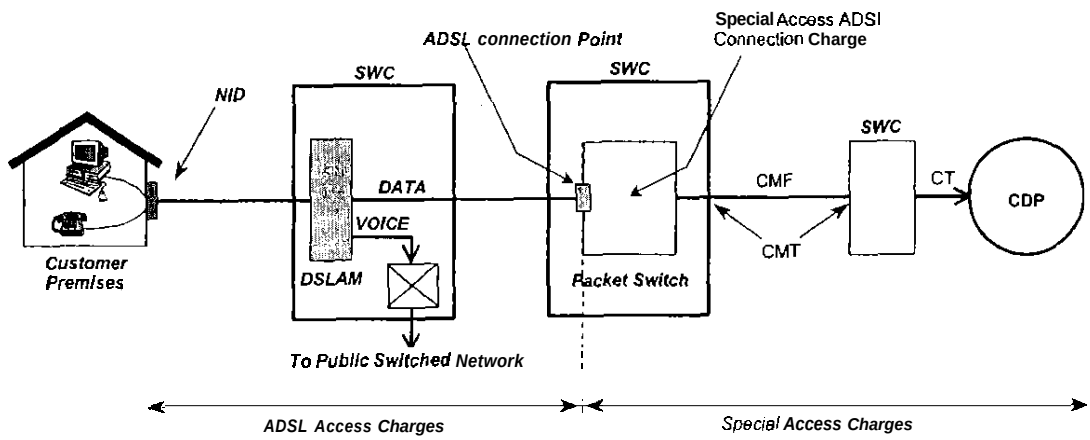


Figure 3

Telephone Companies will identify in NECA Tariff F.C.C. No. **4** the wire centers where Frame Relay and Special Access Connection Points are available. Sub-tending ADSL Access Serving Wire Centers that are associated with the different ADSL Connection Points will also be identified in NECA Tariff F.C.C. No. **4.**

4. COST SUPPORT

This section describes the underlying costs and methodology used to determine the interstate costs for ADSL Access Service. To determine the costs of providing the service, NECA worked with the Rate Development Task Force', ADSL Vendors, and other Member Companies that indicated plans to deploy ADSL. Based on this information, NECA built a data model to determine the unit costs of deploying ADSL. The Engineered, Furnished, and Installed (EF&I) costs were determined using a combination of the vendor equipment costs and labor, in conjunction with Study Area specific information displaying the number of end users at each wire center, the number of wire centers per Study Area, and the locations of wire centers.

The unit investments were converted to monthly costs by applying an annual direct cost factor and then dividing by twelve. The costs include maintenance, income taxes, depreciation, as well as a rate of return on investment of 11.25%. The development of the direct cost factor was described in the NECA Annual Filing'. The non-recurring charges for the installation of the ADSL Line recover one-time costs of installing and testing the circuit equipment at the telephone company wire center. The non-recurring charges for the Special Access Connection Points recover the setup costs associated with the packet switches used to aggregate the ADSL traffic. Exhibit No. 1 displays the investments, monthly costs, and nonrecurring costs associated with ADSL Access Service and the Special Access ADSL Connection Points.

5. PROPOSED RATES, DEMAND, AND REVENUE

Initial demand is based on a survey of Traffic Sensitive Member Companies designed to determine which members had already deployed ADSL[3], or were planning to deploy ADSL. This survey identified fourteen companies that had already deployed ADSL, or planned to be ready to deploy ADSL by April 1999. These companies had total access lines of approximately 190,000. In addition, the survey identified another twenty companies that indicated they were ready to deploy ADSL service this year.

---

[1] NECA Transmittal No. 800 (**NECA** Annual Filing), June 16, 1998, Volume 5, Section I, page 1, describes the **Task** Force, **Also,** see Exhibit I *of* the same volume for a list of **NECA** Rate Development Task Force participants.
[2] See **NECA** Annual Filing at Volume 5, Section 6, page 33.
[3] To the extent required, services provided under intrastate tariff or contract that were in place prior to this tariff filing will be transitioned into the proposed ADSL offering.

Using information gathered from the Member Companies that were surveyed, we project that there will be an average monthly demand of 188 ADSL lines between April 1999 and June 1999, the period covered by this tiling. The following information was used in developing this forecast:

- Percent of households connected to the Internet.
- Percent of households connected to the Internet that would be willing to pay the ADSL Access Service rates.
- Percent of loops in a Study Area that would be qualified to deploy ADSL Access Service.

Based on these assumptions the proposed rates, demand and revenue summaries are displayed on Exhibit 2.

Exhibit 1

NATIONAL EXCHANGE CARRIER ASSOCIATION, INC.
ADSL ACCESS SERVICE
INVESTMENTS, MONTHLY COSTS, **AND** NONRECURRING COSTS

Recurring Costs:

LINE	ITEM	Amount	Description
1	ADSL Access Service Line Unit Investment	$1,606.88	Central Office DSL equip & labor
2	Direct Cost Factor	0.186786	1998 Annual Filing, Volume 5, Exhibit 7
3	ADSL Access Service Line Monthly Cost	$25.01	Ln 1 * Ln 2 / 12
	Special Access Connection *Points:*		
4	DS1 Connection Point Unit Investment	$4,683	Packet Switch DS1 Port
5	DS1 Connection Point Monthly Cost	$72.89	Ln 4 * Ln 2 / 12
6	DS3 Connection Point Unit Investment	$32,709	Packet Switch DS3 Port
7	DS3 Connection Point Monthly Cost	$509.13	Ln 6' Ln 2 / 12
8	OC3 Connection Point Unit Investment	$57.240	Packet Switch OC3 Port
9	OC3 Connection Point Monthly Cost	$890.97	Ln 8 * Ln 2 / 12
	Nonrecurring *Costs:*		
10	Nonrecurring Costs per ADSL line installed	$92.08	Service Ordering, installation, & testing
11	Nonrecurring Costs per DS1 Connection Point	$165.70	Central Office installation & testing
12	Nonrecurring Costs per DS3 Connection Point	$550.62	Central Office installation & testing
13	Nonrecurring Costs per OC3 Connection Point	$1,140.57	Central Office installation & testing

Exhibit 2

NATIONAL EXCHANGE CARRIER ASSOCIATION, INC.
ADSL ACCESS SERVICE
PROPOSED RATES, DEMAND, AND REVENUE

LINE	ITEM	Average Monthly Demand	Rate	Monthly Revenue
			Proposed Rates:	
1	**ADSL** Access Service Line (Recurring)	188	$35.95	$6,759
2	ADSL Access Service Line Installation [1]	125	$95.00	$11,875
	Special Access *Connection* Points:			
3	DS1 Connection Point (Recurring) [2]	13	$180.00	$2,340
4	DS3 Connection Point (Recurring)	0	$1,250.00	$0
5	OC3 Connection Point (Recurring)	0	$2,190.00	$0
6	DS1 Connection Point Installation [3]	4	$170.00	$737
7	DS3 Connection Point Installation	0	$555.00	$0
8	OC3 Connection Point Installation	0	$1,145.00	$0
	New Special Access Demand for services *with* rate elements:		Current Rates:	
9	DS1 Channel Terminations [4]	5	$176.82	$919
10	DS1 Channel Mileage Terminations [4]	16	$94.38	$1.548
11	DS1 Channel Mileage Facility [4]	166	$19.14	$3,179
12	Frame Relav Access Connection - 1.544 Mbps	1	$340.00	$340
13	Frame Relay Standard PVC - 768 **Kbps**	4	$36.00	$144
	Total Average Monthly Revenue			$27.840

1 The total projection is for 376 installations between April 1 and June 30, 1999.

2 The number of DS1 connection Points is projected to be less lhan the number of ADSL lines due lo oversubscription, i.e., the ability of packet switches to only supply bandwidth as it is needed For this service, an oversubscription of 80 to 1 was used. based on engineering assumptions for a mostly residential service

3 The total projection is for 13 installations between April 1 and June 30, 1999

4 DS1 Channel Terminations, Channel Mileage Terminations, and Channel Mileage Facilities are based on the average relationships relationships for DS1 circuits, as displayed in the NECA 1998 Annual Filing. Volume 3, Exhibit 2, page 3.